

## CALPERS 2005 STRATEGIC PLAN GOALS

This version represents the Board adopted first reading dated 8/17/05.

### **ENTERPRISE**

I. **Exercise global leadership to ensure the sustainability of CalPERS' pension and health benefit systems.**

*Statement of Intent:* Fundamental to its mission is CalPERS' fiduciary role as a trustee. Implicit in this fiduciary responsibility is the duty to ensure that the beneficiaries of the trust receive the future pension and health benefits for which they have contracted. By the very nature of its size and scope, and given the nature of emerging global economic relationships, CalPERS will look to a longer-term horizon with regard to its portfolio and investment policies. CalPERS also recognizes that the emerging social, political, and economic market dynamics impacting the system extend beyond California. This will require the exercise of strong global leadership on the part of CalPERS to effectively respond and to fulfill its fiduciary responsibilities.

II. **Foster a work environment that values quality, respect, diversity, integrity, openness, communication and accountability.**

*Statement of Intent:* The strategic plan sets forth CalPERS' internal core values and guiding principles. As CalPERS charts its future course, it reaffirms its commitment to these values and principles. Further, CalPERS highlights the importance of diversity as a fundamental business philosophy.

III. **Sustain a high performance work culture utilizing staff development, technology, and innovative leadership and management strategies.**

*Statement of Intent:* A variety of support strategies will be implemented for CalPERS business owners to achieve their strategic goals. This goal acknowledges that, even with continuing fiscal constraints, continued investment in these support strategies will be necessary to expand organizational capacity and to ensure the most effective and efficient use of resources.

IV. **Design and develop education and communication initiatives to ensure broad member and stakeholder understanding of CalPERS' value.**

*Statement of Intent:* CalPERS operates in a complex political environment in which diverse ideological issues and agendas can make it challenging for trustors, beneficiaries, and other stakeholders to come together around common interests. CalPERS will communicate with and educate the public, employers, members, and other stakeholders to ensure they have a clear understanding of CalPERS' roles, fiduciary duties, and value proposition to

ensure that these parties have the clear understanding necessary to navigate the complex political environment.

## **PENSION**

### **V. Provide sustainable pension benefit products and services responsive to and valued by members, employers, and stakeholders.**

*Statement of Intent:* CalPERS is the trustee of a public pension trust. This goal acknowledges the interrelationship of the other parties to that trust, namely the Legislative and Executive Branches of the State Government – and by extension the taxpayers of the State of California – and local employers (collectively, the Trustors), and active and retired members and their families (the Beneficiaries). CalPERS will fully consider all of these interests, including, the affordability and adequacy of its products, benefits, and services. CalPERS' role goes beyond that of an administrator. CalPERS will use its expertise to serve as a trusted advisor recommending policy alternatives for consideration by all parties to the trust.

### **VI. Administer pension benefit services in a customer oriented and cost effective manner.**

*Statement of Intent:* In its current strategic plan, customer service is a focal point. CalPERS remains committed to customer service. It also recognizes that in an era of tight fiscal constraints and increased public scrutiny, we will strengthen our efforts to deliver our services in a cost effective manner.

### **VII. Enable and educate members and employers to make informed decisions leading to a predictable and secure retirement future.**

*Statement of Intent:* Analysis of various market dynamics, including changing demographics, indicates that there are increasing long-term retirement security concerns independent of the adequacy of pension benefits. These concerns are driven in part by the growing gap between healthcare costs and benefit coverage and a lack of personal savings on the part of beneficiaries. As a fiduciary on behalf of its beneficiaries, CalPERS will share its expertise including member education and other strategies.

## **ASSET AND LIABILITY MANAGEMENT**

### **VIII. Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.**

*Statement of Intent:* Long-term state and local fiscal constraints and desires for improved contribution rate predictability, coupled with changing investment return/risk expectations, impact the range of options available for addressing

CalPERS' employer and member needs. By managing both risk and return, this goal clearly articulates CalPERS priorities in terms of its asset allocation strategies and management of its liabilities.

**IX. Achieve long-term, sustainable, risk adjusted returns.**

*Statement of Intent:* Global macro-economic relationships are changing leading to increasing uncertainty in long-term investment return/risk expectations. Given the scope of CalPERS' portfolio, capacity constraints will apply. Therefore, CalPERS will approach its asset allocation strategies as a large institutional investor with a view to the long term, a commitment to professional competency, and continued emphasis on the carefully weighing of risk and return. Thinking creatively with respect to new investment opportunities and ensuring the sustainability of the portfolio returns are the keys to CalPERS successfully fulfilling its future liabilities.

**HEALTH**

**X. Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.**

*Statement of Intent:* This goal parallels Goal V in the Pension area. Enrollees and employers contract with CalPERS for health benefit products. CalPERS' health benefit products will address our customers' needs for affordable and adequate products. For employers, adequacy and affordability may be defined in terms of the total compensation package they need to offer in order to attract and retain employees. For enrollees, adequacy may be defined in terms of choice among different benefit products that address their economic and personal health care situation. Unlike the Pension area, CalPERS is charged with developing and designing the health benefit products it offers to its customers. Further, these health benefit products are offered in a competitive marketplace where alternative health benefit products exist.

**XI. Promote the ability of members and employers to make informed decisions resulting in improved lifestyle choices and health outcomes.**

*Statement of Intent:* Goals XI and XII reinforce that in all three business lines there is an imperative to consider strategies that look at both supply and demand market dynamics. Goal XI focuses on the demand side of the equation. The aging CalPERS population, which faces many chronic health conditions, will continue to drive utilization. CalPERS will develop programs and policies that will educate and provide incentives for enrollees and employers to do more to consider the value (both quality and cost) of lifestyle and healthcare choices.

**XII. Engage and influence the healthcare marketplace to provide medical care that optimizes quality, access, and cost.**

*Statement of Intent:* This goal focuses on the supply side of the equation. In 2003, CalPERS identified several policy imperatives for its Health Benefit Program. Cost, quality, and access were key factors in all health benefit policy strategies. CalPERS recognized that to achieve lower cost, higher quality, and improved access, it needs to focus its attention on healthcare providers, including hospitals, pharmaceutical companies, and physicians. CalPERS remains committed to strategies that impact the drivers of healthcare cost and quality within the provider community.